

IRS News Release

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Offshore Compliance Program Shows Strong Results

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WASHINGTON — The Internal Revenue Service continues to see a strong response to its Offshore Voluntary Compliance Initiative (OVCI), with more than \$75 million in taxes collected so far. In addition, more than 400 offshore promoters were identified.

Taxpayers had until April 15, 2003, to apply for OVCI. The program was designed to bring taxpayers who used offshore payment cards or other offshore financial arrangements to hide income back into compliance with U.S. tax laws.

In all, the IRS received OVCI applications from 1,299 taxpayers from nearly every state and from 48 other countries. The IRS is still processing many of these applications. However, current results show the initiative's effectiveness:

- Taxpayers have already paid more than \$75 million in taxes to the program.
- The \$75 million figure will continue to grow because most taxpayers accepted into the program have until Oct. 15 to amend their tax returns and pay back taxes.
- OVCI applicants identified more than 400 offshore promoters. Of these, 214 promoters were previously unknown to the IRS, which helps the agency's efforts to counter offshore tax evasion.
- While the program has led to \$75 million in taxes collected, the cost of the OVCI program is approximately \$2 million to date.

Applicants to OVCI had to provide full details on the person or persons who promoted the offshore arrangements. Eligible taxpayers could avoid criminal prosecution and certain penalties but would still have to pay back taxes, interest and some penalties.

People from all walks of life applied for the program, including lawyers, dentists, business executives, estate heirs and numerous other occupations.

OVCI is just one part of an on-going, multi-pronged effort by the IRS to counter offshore tax evasion.

A related, but separate component of the effort is the Offshore Credit Card Program (OCCP). This program stems from the John Doe summons investigation. Since October 2000, the IRS has issued a series of summonses to a variety of financial and

commercial businesses to obtain information on U.S. residents who held credit, debit or other payment cards issued by offshore banks.

Investigators have been using records from the John Doe summonses to trace the identities of people whose use of these payment cards may be related to hiding taxable income.

The results of OCCP have also been promising. To date, OCCP has produced the following results:

- About 2,800 tax returns are under audit or have already been completed. That number will continue to grow.
- The vast majority of these taxpayers remain in the audit process, and taxes have not yet been assessed on these cases. So far, more than \$3 million in taxes has been assessed. This number will grow in the future.
- Dozens of cases have already been referred to Criminal Investigation for possible action.

In the weeks and months ahead, the IRS will continue working on the OVCI and OCCP programs. As part of this process, the IRS will continue its work to identify and pursue civil and/or criminal penalties against those engaged in improper offshore transactions.

“We have a multi-pronged approach on offshore tax evasion, and we will continue to aggressively pursue this issue,” said Bob Wenzel, IRS Deputy Commissioner for Services and Enforcement. “Our continuing efforts send a strong signal to offshore tax evaders and others considering hiding their money overseas.”

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